


City of Alexandria, Virginia

MEMORANDUM

DATE: DECEMBER 7, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: 2005 ANNUAL REPORT AND PLANT SURVEY FROM COMCAST CABLE COMMUNICATIONS, INC.

ISSUE: Receipt of the 2005 Annual Report and Plant Survey from Comcast Cable Communications, Inc. (Comcast).

RECOMMENDATION: That Council receive the Comcast 2005 Annual Report and Plant Survey (Attachment). The Commission on Information Technology reviewed the results of the reports at its November 14 meeting and approved the staff analysis.

DISCUSSION: Section 9-3-513 (a) of the City Code requires the cable television franchisee to submit an annual written report to the City Council which summarizes the company's previous year's activities in operating the Alexandria cable television system. The 2005 report, which covers the fiscal year of July 1, 2004 through June 30, 2005 (the eleventh year under the 15-year cable franchise), summarizes the company's activities with respect to programming and customer service, physical plant and system operations, and describes the company's financial condition for the calendar year ending December 31, 2004.

Comcast offers 80 analog channels and 261 digital channels of video programming to 49,710 subscribers in the City of Alexandria, a decrease of 183 (.37%) subscribers as compared to 2003. According to Marie Schuler, Director of Government and Community Affairs, this decrease is a direct result of competition from satellite and other video providers. Of the 49,710 subscribers, 40,870 (82.2%) subscribe to premium or pay services; 34,677 (69.8%) of the customers subscribe to digital service, and 7,027 (14.1%) subscribe to Digital Video Recorders (this increase is related to the increase in Video on Demand programming Comcast offers). Cable penetration in the City of Alexandria is 63.18% (i.e., 63.18% of the City's residents and business owners subscribe to Comcast). This is the second year that cable penetration has been static. Ms. Schuler believes that this trend will continue. Therefore, Comcast is focusing on maintaining the existing customer base and expanding the bundling of internet and telephone services.

The full report runs more than 300 pages. Due to its size, the entire report is not attached, but it may be reviewed in the City Clerk's Office. Several sections of the report are attached for your information: the cover letter; summary of local origination and community programming; and independent auditor's reports. Following is a summary of the major accomplishments described in the Annual Report and the actions taken by the franchisee to comply with City and federal requirements.

Programming:

- **Local Origination and Community Programming**
During FY 2005, Comcast's combined community and local origination programming on Channel 69 met the 30 hours or more overall requirement and, in most cases, exceeded the franchise requirement that at least ten hours per week be original, unrepeated programming of interest to Alexandria residents. Comcast continues to encourage citizen participation in Community Programming certification classes. During FY 2005, Comcast did not certify anyone; however, they currently have 88 volunteers that work on community programming productions.
- **Programming and Channel Changes**
Comcast launched the following channels: Discovery HD (High Definition), The Travel Channel, TV Games, History International, The Biography Channel, and the Jewelry Channel. Additions to the Sports Tier include College Sports TV, HRTV (Horse Racing) and The Tennis Channel. Faith-based programming such as EWTN (Eternal Word Television Network), The Inspiration Network, TBN (Trinity Broadcasting Network), and The Word Network were also launched. Also added was an additional tier of Hispanic programming called CableLatino Selecto Total which includes Canal 24, Canal Sur, EWTN en Español, Gol TV en Español, and Grande Documentales. Channels that were moved to the digital tiers included MTV Español, MTV Jams, Nick Too, and VH1 Soul. Channels were moved from digital to expanded basic included G4techTV, a network dedicated to interactive entertainment. HBO and Showtime analog premium customers were moved to the multiplexed channels of HBO and Showtime on the digital tier (multiplexed channels are a packaged suite of channel offerings by the same programmer, i.e., HBO Family, HBO Comedy, HBO Latino, etc.). This required a new converter box which Comcast provided to customers at no additional charge.

Physical Plant and System Operations:

- **System Construction**
During FY 2005, Comcast expanded the physical plant by adding 1.09 miles of underground cable plant, including coaxial and fiber cables. Comcast also constructed 2.28 miles of fiber plant to interconnect the Institutional Networks (I-NETs) between the City of Alexandria and Arlington County. The City and County paid for this interconnection. The interconnection, which is relatively unique in the United States, will

initially be used for voice and video applications for public safety. Future applications could include connecting emergency operation centers, sharing live video programming, videoconferencing for inter-jurisdictional meetings, transmitting data, sharing databases, integrated traffic management, as well as back-up connections to radio controllers and 911 call centers and emergency operations centers in neighboring communities. A connection to Fairfax County will occur when Fairfax's build out of its I-Net approaches the Alexandria and/or Arlington border.

As of June 30, 2005, the total number of homes passed (units in Alexandria able to receive cable television service) was 80,305. This number includes commercial and residential accounts. Comcast quantifies the number of homes passed as billable accounts, i.e., a house shared by several roommates each with a separate Comcast account is counted more than once.

- Service Outages

Staff's review of the Annual Report showed that during FY 2005, the number of outages decreased to 76 from 103 in 2004 (which was higher due to the severe weather during that reporting period, particularly during Hurricane Isabel). An outage is defined as a service interruption affecting three or more subscribers connected to the same node. Comcast reports that of the 76 outages: 36 (seven less than last year) were due to Comcast equipment failure, such as damaged motherboards, feeder connectors, and modules in the nodes. Of the remaining 40 outages, four were the result of Dominion Virginia Power system outages (10 less than last year), five were a result of damage to the plant by contractors who did not consult with MISS UTILITY prior to digging activities or ignored Comcast's cable line markings (seven less than last year), three were caused by electrical power outages due to electrical shortages and power surges (two less than last year), four outages self-corrected, and the remaining 24 outages (seven less last years) were due to routine maintenance activities conducted by Comcast staff.

Five of the outages lasted longer than four hours (the same number as last year). The City Code requires Comcast to credit subscribers with a prorated share of the monthly charge if the subscriber is without service or if service is substantially impaired for any reason for more than four hours during a 24-hour period. Comcast staff issued the appropriate credits to the affected customers. Staff will continue to monitor system outages and ensure that credits are given where appropriate.

- Plant Survey

Section 9-3-153 (c) of the City Code requires the franchisee to submit a complete survey of its plant, including electronic measures to determine any signal leakage above the FCC requirements, and to assure the City that Comcast is complying with FCC technical standards. The FCC Proof-of-Performance tests were conducted by Comcast staff January 1- February 20, 2005. Signal leakage tests were conducted for Comcast by Comcast Corporate Engineering/Compliance staff on August 19, 2005. All tests indicated that results complied with FCC technical standards.

Customer Service:

- **Subscriber Trouble Calls**

During the reporting period, Comcast responded to 11,010 subscriber trouble calls, a decrease of 490 calls (4 % less) from 2004. These trouble calls related to problems with customers equipment (televisions and VCRs), converter boxes, distribution/signals, and coaxial cable. The majority of these calls (5,878 or 54%) were in the “Tap to the TV Set” category (the “tap” is the connecting equipment from the pole to the house), 43 fewer than last year. The majority of the tap to TV set problems result from bad connectors or splitters between the tap and the customer’s TV due to age, corrosion, exposure to the elements, or fittings that had been improperly tightened by customers. Converter problems accounted for 21% of the trouble calls, and the remaining 25% of calls were a result of customer equipment (5%), miscellaneous problems (17%), or no trouble found/subscriber not home (3%).

- **Customer Service Standards**

The City Code requires Comcast to report quarterly on telephone accessibility. The Code requires Comcast’s service representatives to answer their telephones within 30 seconds, 95 percent of the time. This standard exceeds the federal standard which requires that the telephones be answered within 30 seconds, 90 percent of the time. During the reporting period, Comcast’s quarterly data indicate that the percentage of telephones answered within 30 seconds was as follows: August (82.95%), September (88.62%), October (91.6%), November (88.85%), December (79.32%), January (81.59%), February (82.22%), March (86.51%), April (87.01%), May (85.05%), June (71.6%). Since Comcast’s average response time statistics for each quarter did not meet the 95 percent standard, the company was fined four times for a total of \$800.

Statistics FY 2004	Statistics FY 2005
July 97.6%	July 88.11%
August 81.6%	August 82.85%
September 86.5%	September 88.62%
October 89.4%	October 91.60%
November 88.3%	November 88.85%
December 89.9%	December 79.32%
January 90.88%	January 81.59%

Statistics FY 2004	Statistics FY 2005
February 91.8%	February 82.22%
March 92.33%	March 86.51%
April 93.87%	April 87.01%
May 93.31%	May 85.05%
June 91.1%	June 71.6 %

Comcast continues to provide training for service representatives to respond more accurately to customer queries and problems as well as monitor telephone calls and providing employee coaching as needed.

Financial Information:

Dan Neckel, Director of Finance, reviewed the financial information provided from Comcast including:

- Audited Gross Receipts of Comcast Cablevision of Virginia, Inc. for the year Ended December 31, 2004;
 - Unaudited Financial Statements of Comcast Cablevision of Virginia, Inc. for the year ended December 31, 2004; and
 - Excerpts from the Financial Reports of Comcast Corporation as of December 31, 2004.
- **Audited Gross Receipts:**
The schedule and accompanying audit opinion are a special report issued by Comcast's external auditors for a specific purpose. In this case, the schedule addresses the gross receipts recorded in accordance with the June 1994 cable franchise agreement between the City of Alexandria and Comcast which is used to determine the franchise fees to be paid to the City. Deloitte & Touche, LLP, the external auditors, found that the revenues associated with this agreement for the year ending December 31, 2004 were \$37,535,263. This represents an increase of 9.2 percent or \$3.2 million when compared with the audited gross receipts for 2003. The external audit opinion is a clean opinion, indicating that the revenues as stated can be relied upon by the City.
 - **Unaudited Financial Statements:**
The unaudited financial statements for Comcast Cablevision of Virginia, Inc. (Alexandria system) for the year ended December 21, 2004, included a Balance Sheet, a Statement of Cash Flows and a Statement of Operations and Accumulated Deficits. These statements show that the Alexandria operations of Comcast earned \$9.1 million for the year, thus reducing the operation's Accumulated Deficit from \$30.7 million to \$21.5 million. During the year, Comcast increased their investment in the property and equipment in Alexandria

by \$21.9 million bringing the total cost of the Alexandria property and equipment to \$87.7 million. The Comcast Alexandria operation has a long-term debt to affiliated companies of \$204.4 million. This is an increase of \$160.8 million from prior years as a result of transferring \$163.4 million of the Stockholders' Equity account to the Long-Term Debt due to affiliate accounts. The total Stockholders' Equity for Comcast Cablevision of Virginia, Inc. (Alexandria) as of December 31, 2004 was a negative \$21.5 million.

- **Comcast Corporation Financial Report:**

The Comcast Corporation Financial Report is the financial statement of Comcast Corporation and its subsidiaries as a whole. The financial information of Comcast Cablevision of Virginia, Inc. (Alexandria) is such a small portion of the total operation that it is not mentioned separately in this report.

The Comcast Corporation is the largest cable operator in the country with 21.5 million video subscribers, 7.0 million high-speed internet subscribers, and 1.2 million telephone subscribers. Comcast Corporation and its subsidiaries had a net income for the year of \$970 million on revenues of \$20,307 million. Its total stockholders' equity decreased from \$41,662 million to \$41,422 million. Comcast's external auditors issued Comcast Corporation and its subsidiaries a clean opinion indicating the financial statements present fairly, in all material respects, the financial position of Comcast Corporation and its subsidiaries.

FISCAL IMPACT: For calendar year 2004, the franchise fee to the City, based on three percent of gross receipts from all operations (\$37,535,263), was \$1,110,780. Franchise fees are considered general revenues that are deposited in the General Fund and help finance the City government expenditures and transfers.

ATTACHMENTS:

- Attachment 1. Cover letter to Rose Williams Boyd from Marie Schuler dated August 30, 2005
- Attachment 2. Summary of Local Origination and Community Programming
- Attachment 3. Independent Auditors' Report

STAFF:

Rose Williams Boyd, Director of Citizen Assistance
Jacqueline Levy, Cable Television Administrator
Daniel Neckel, Director, Finance



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August 30, 2005

Ms. Rose Williams Boyd
Director
Office of Citizen Assistance
City of Alexandria
301 King Street Room 1900
Alexandria, Virginia 22314



Dear Ms. Boyd,

Comcast is pleased to submit our 2005 Annual Report to the City of Alexandria, in accordance with Chapter 3 of Title 9 of the Alexandria City Code. Included are copies or summaries of the Year's Activities within Local Origination and Community Programming, a Summary of Customer Complaints, Financial Reports, Statements of Major Equipment and Capital Expenditures, Construction Plans, a list of Comcast Officers and Board of Directors, the Alexandria Employee Report, Television Channel Changes, Customer Opinion Survey, the Plant Report, and Customer Service Telephone Statistics for the period of August 1, 2004 through July 31, 2005.

This has been another busy year for the company, as we launched new channels and services to the residents of Alexandria. We added Discovery HD, as well as popular digital channels providing religious and ethnic programming. We launched the DVR service, which allows you to pause and rewind live events, as well as record programming. We also made substantial content additions to Video on Demand, adding more than 4,000 hours of programming, much of which is free of charge to the Digital customer. We have begun offering local content on VOD as an added service to the customer. We continue to work with the City on the implementation of an upgraded Institutional Network. During this period we interconnected the Alexandria I-Net with the Arlington I-Net bringing added advantages to the City staff.

Comcast plans to continue its investment in the City bringing the latest programming and cutting edge technology to the community. Testing for Comcast Digital Voice (VOIP) began in first quarter 2005. CDV is fully compliant with Federal and State regulations, including E911 services. The technical staff is working behind the scenes on Digital Simulcasting, which will have a positive impact on picture quality and clarity of the video services. We hope to launch these new services to the customers in late 2005.

Community highlights from the past year are:

- ◆ Corporate sponsor of the Alexandria Waterfront Festival, benefiting the American Red Cross.
- ◆ Interviewed hundreds of non-profits and aired their segments on Headline News to promote community activities and events.
- ◆ Major sponsor of the Philanthropy Summit, a partnership between the Alexandria Volunteer Bureau and the Alexandria Chamber of Commerce. Comcast was the recipient of the 2005 Business Philanthropy Award.
- ◆ Corporate sponsor of the Alexandria Chamber of Commerce, supporting Chamber events including Leadership Alexandria.
- ◆ Sponsored the Alexandria Scholarship Fund Telethon, which raised over \$100,000 for T.C. Williams Graduates.
- ◆ Partnered with the City of Alexandria for the second annual Comcast Outdoor Film Festival at Ben Brenman Park.

Comcast and its employees pride themselves with being involved with the Community, and being in the forefront within the Company to deploy new services and technologies to our customers. We look forward to continuing this partnership in 2006.

Yours sincerely,



Marie Schuler
Director of Government and Community Affairs

YEAR'S ACTIVITY SUMMARY
Local Origination and Community Programming
Service to the Community

- Supported Kones for Kids sponsored by the Department of Human Services for their Foster Care program.
- Supported the "Walk for the Future with Project discovery
- Supported the Alexandria Technology Awards
- Supported the Alexandria Volunteer Bureau An Evening in the Heart of Alexandria Gala
- Provided Cable in the Classroom magazines in conjunction with the CIC program in Alexandria Public Schools
- Supported the Alexandria Chamber of Commerce with their Annual Golf Tournament
- Supported the Alexandria City Public Schools Family Involvement Rally
- Awarded a Comcast scholarship to a T.C. Williams graduate pursuing film studies at the Scholarship Fund of Alexandria Awards Ceremony
- Both filmed and participated in the USA/Alexandria Birthday Celebration at Founders Park
- Filmed and participated in the American Indian Festival, the African American Festival, the Italian Festival, the Irish Festival and the Chirlagua Festival.
- Promoted summer concerts throughout the area, Lunch Bunch Concerts, Ben Brenman Park Concert, Ft Ward Park Concerts, Waterfront Park Concerts, Montgomery Park Concerts, Henderson Park Concerts, and the King Street Gardens Concert.
- Sponsored the Philanthropy Summit Awards; recipient of the 2005 Philanthropy Award
- Donated to the T.C. Williams Drug and Alcohol Free Graduation Party
- Participated in the United Way campaign
- Supported the Alexandria Chamber of Commerce "Total Resource" Campaign
- Sponsor of Leadership Alexandria
- Participated with the Region in Comcast Cares Day at W. Potomac High School in Prince William County. We landscaped the front entrance, back entrance, sides, and football field.
- Conducted a tour of Wheeler Avenue facility for the Federal Communications Commission and the United States Telecommunications Training Institute, whose class is made up of members of the military from around the world.
- Corporate sponsor of the Alexandria Waterfront Festival
- Live coverage of the Alexandria Election Returns
- Supported the Breast Cancer Walk, taped and broadcast the event
- Partnered with the City of Alexandria for the Comcast Outdoor Film Festival
- Taped and broadcast the T.C. Williams Homecoming Football Game on our local community Channel

- Taped and broadcast Agenda Alexandria monthly
- Taped and broadcast the Alexandria Chamber Business Leader of the Year Award
- Taped and broadcast the Grace Episcopal Concert
- Supported the Alexandria Chamber of Commerce Chairman's Gala
- Taped and broadcast the Martin Luther King Birthday Ceremony
- Taped and broadcast the St Patrick's Day Parade
- Taped and broadcast the George Washington Day Parade
- Supported, taped and broadcast the State of the City Address
- Taped and broadcast the Salute to Women Awards
- Taped and broadcast the Valor Awards; Chaired the Valor Committee
- Taped and broadcast the Law Day Debate
- Taped and broadcast the Episcopal Graduation
- Taped and broadcast the Bishop Ireton Graduation
- Taped and broadcast the T.C. Williams Graduation
- Taped and broadcast the Scholarship Awards Ceremony
- Taped and broadcast the St. Stephens /St. Agnes Graduation
- Taped and Broadcast the Scottish Christmas Walk
- Taped and Broadcast the Christmas Tree Lighting Ceremony
- Taped and Broadcast the Excellence in Education Awards
- Taped and Broadcast the Kathy Harty Gray Dance Theatre
- Taped and Broadcast the Alexandria Boxing Club 2k4
- Taped and Broadcast the Ethiopian Evangelical Church program
- Taped and Broadcast the T.C. Williams vs. Hayfield Boys Basketball Game
- Taped and Broadcast the T.C. Williams vs. Hayfield Girls Basketball Game
- Taped and Broadcast the St. Stephen / St Agnes vs. DeMatha Basketball Game
- Taped and Broadcast the Grace Episcopal Spring Program
- Taped and Broadcast the CTE Awards Program
- Supported the Alexandria Torpedo Factory for the "Taste of Alexandria"
- Supported the Alexandria Department of Human Services with their Bicycle round-up Program
- Supported taped and Broadcast the NAACP Awards Banquet
- Supported the Northern Virginia Urban League Gala
- Participated in the City of Alexandria Softball Program
- Sponsored the Alexandria Scholarship Fund Telethon through in kind work planning and broadcasting live and on replay the telethon event. This year's telethon raised over \$100,000.
- Sponsored the Scholarship Fund Committee Wrap-up Party

Produced Comcast Local Edition interviews, appearing on Headline News for the following organizations:

City of Alexandria Recreation, Parks & Cultural - 12 segments
Art on the Avenue / Art Safari
Alexandria Chapter of the American Red Cross
Potomac Conservancy
Inova Blood
Alexandria Convention & Visitors Center – 6 segments
Office on Women - Domestic Violence
Office on Women – Walk to Fight Breast Cancer
Office on Women – Sexual Assault Awareness Month
Office on Women – Salute to Women Awards
The Scholarship Fund of Alexandria Telethon
Congressman James Moran
SOC Enterprises - promotes independence for people with disabilities
Alzheimer's Family Day Center
Northern Virginia Aids Ministry
Alexandria Chamber of Commerce
Irish Festival
St. Patrick's Day Parade
Alexandria Commission for the Arts
Alexandria Outdoor Film Festival
The Campagna Center
Alexandria Waterfront Festival
The Twig – Tour of Homes
Alexandria Symphony Orchestra – 14 segments
First Night Alexandria
Samaritan Ministry of Greater Washington
Y-Me, Beat Cancer – National Capital Area
Abigail Alliance Gala
Pentagon Memorial Fund
Agenda Alexandria – 2 segments
Arlington Diocese Office of Refugee Settlement
NCESGR
Beth El Hebrew Congregation – Kehet Casino Night
The Art League
SCAN
CrisisLink
Azalea Charities
Aach Homeless Association
Avon Walk to Fight Breast Cancer
Alexandria Technology Achievement Awards
Lupus Foundation of Greater Washington
Alexandria United Way

Alexandria Symphony Ball
The Carlyle House
Girls Scouts
Northern Virginia Urban League
Angel Flight MidAtlantic
Alexandria Animal Welfare League
The Torpedo Factory
Opera Theater of Northern Virginia
MS Society
Senior Services
Alexandria Detox Center
Alexandria – Gyumri, Armenia Sister Cities Committee
Cyber Seniors / Cyber Teens
Alexandria Volunteer Bureau
Northern Virginia Urban League

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholder
Comcast Cablevision of Virginia, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying schedule of gross revenues, as defined in Cable Franchise Agreement dated June 18, 1994 (the "Agreement"), of Comcast Cablevision of Virginia, Inc. (the "Company") for the franchise area of the City of Alexandria, Virginia (the "Schedule") for the year ended December 31, 2004. This Schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such Schedule presents fairly, in all material respects, the gross revenues, as defined in the Agreement referred to above, of Comcast Cablevision of Virginia, Inc. for the franchise area described above for the year ended December 31, 2004.

This report is intended solely for the information and use of the Board of Directors and Stockholder of Comcast Cablevision of Virginia, Inc. and the City of Alexandria, Virginia and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 14, 2005

COMCAST CABLEVISION OF VIRGINIA, INC.

**SCHEDULE OF GROSS REVENUES
CITY OF ALEXANDRIA, VIRGINIA
YEAR ENDED DECEMBER 31, 2004**

GROSS REVENUES

\$ 37,535,263

NOTE: The amount of gross revenues above is recorded in accordance with the Cable Franchise Agreement dated June 18, 1994, between Comcast Cablevision of Virginia, Inc. and the City of Alexandria, Virginia.

In accordance with the Federal Communications Commission (the "FCC") ruling that determined cable modem service is not a "cable service" as defined by the Communications Act, the gross revenues above do not include cable modem service revenues.